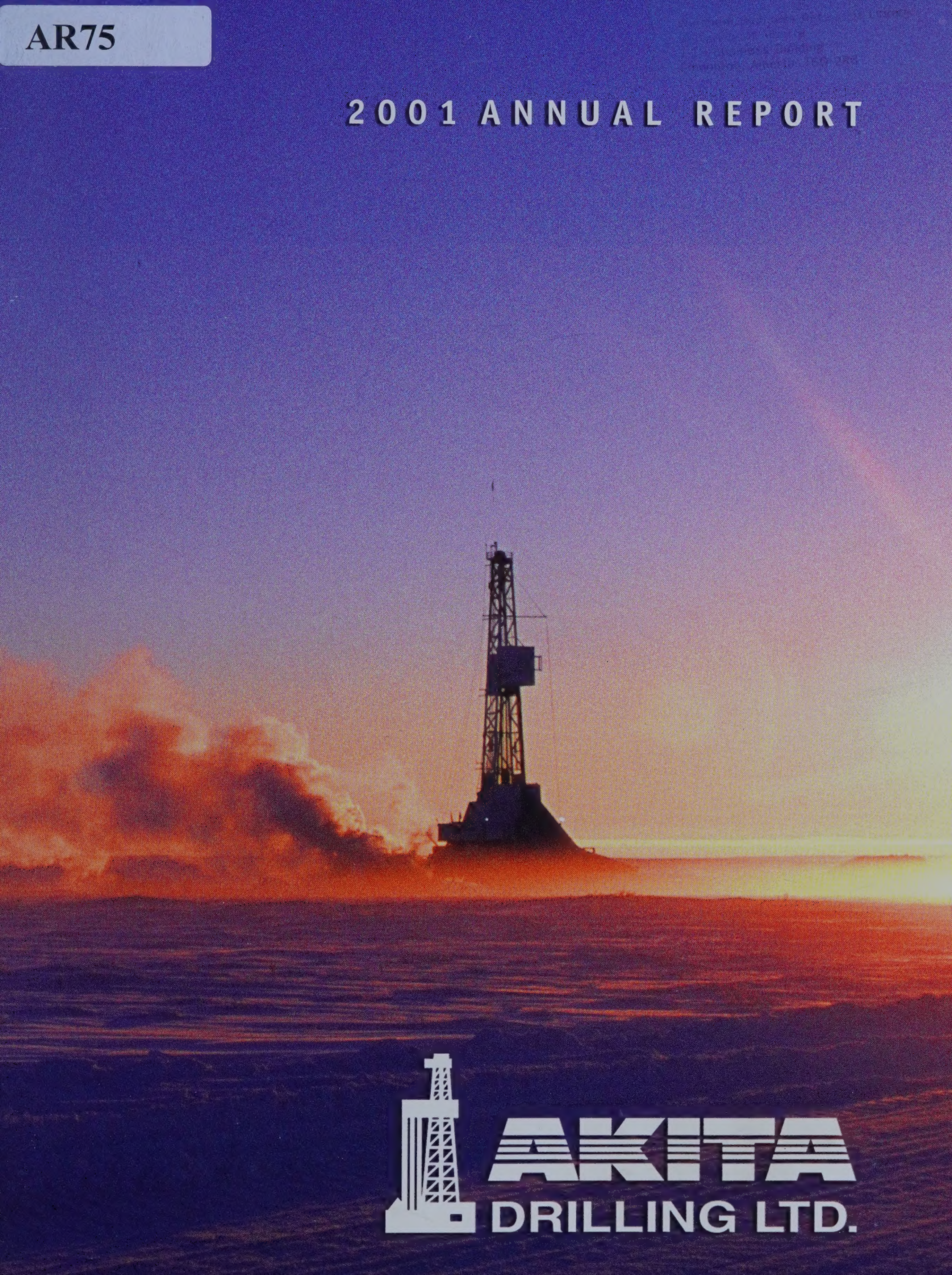
2001 ANNUAL REPORT



AKITA DRILLING LTD.

CONTENTS

ANNUAL MEETING

The Annual General Meeting of Shareholders will be held at 10:30 a.m. M.D.T. on Thursday, May 16, 2002 at the Westin Hotel, 320 – 4th Avenue S.W., Calgary, Alberta. Shareholders and other interested parties are encouraged to attend.

Cover Photo: AKITA Equtak Rig 63. Drilling in the Mackenzie Delta south of Tuktoyaktuk in the North West Territories.

FORWARD-LOOKING STATEMENTS

From time to time AKITA makes written and oral forward-looking statements. These may be included in the Annual Report, filings with Canadian regulators, in reports to shareholders and in other communications. These forward-looking statements include but are not limited to comments with respect to AKITA's objectives and strategies, financial condition, results of operations, the outlook for industry and risk management discussions.

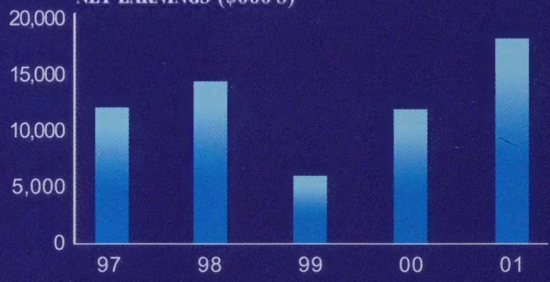
By their nature these forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that predictions and other forward-looking statements will not be achieved. We caution readers of this Annual Report not to place undue reliance on these forward-looking statements as a number of important factors could cause actual future results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

Forward-looking statements may be influenced by the following factors: the level of exploration and development activity carried on by AKITA's customers, world oil and North American natural gas prices, weather, access to capital markets and government policies. We caution that the foregoing list of important factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to AKITA, investors and others should carefully consider the foregoing factors as well as other uncertainties and events.

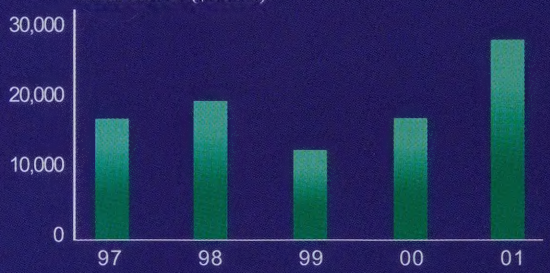
AKITA is strongly committed to the ongoing safety of its employees and continually achieves one of the safest working records in the Canadian Drilling Industry

AKITA Drilling Ltd. is a premier oil and gas drilling contractor with operations throughout Western Canada and Canada's Northern Territories. The Company strives to be the industry leader in matters of employee expertise, safety, equipment quality and drilling performance. These efforts have been beneficial in obtaining important new contracts that support AKITA's current growth. In addition to conventional drilling services, the Company specializes in purpose-built arctic rigs and is active in directional, horizontal and underbalanced drilling providing specialized drilling services to a broad range of independent and multinational oil and gas companies. AKITA currently employs at full operations approximately 650 people. In 2001, the Company expanded its fleet to 36 drilling rigs operating in all depth ranges.

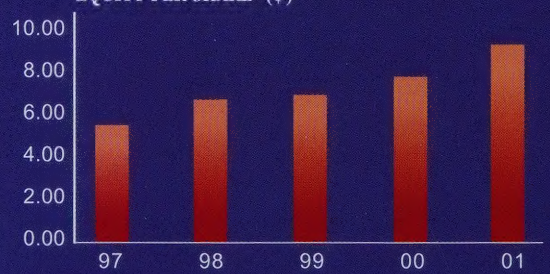
NET EARNINGS ($000'S)



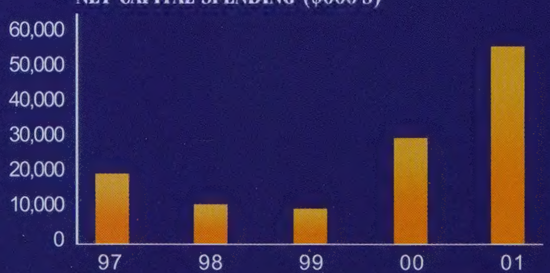
CASH FLOW ($000'S)



EQUITY PER SHARE ($)



NET CAPITAL SPENDING ($000'S)



Five new rigs coupled with stronger day rates resulted in AKITA's increase in profitability for 2001. Strong first and fourth quarters were major factors in the 60% increase in earnings from 2000. AKITA has achieved positive earnings in each quarter during its existence.

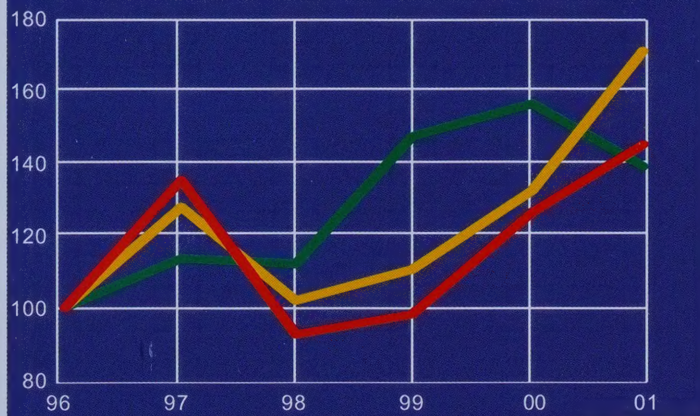
New rigs and an excellent fourth quarter had a corresponding impact on cash flow from operations. For the fifth consecutive year deep gas drilling was the strongest segment. Strong cash flow has helped reinforce the Company's commitment to maintain its equipment in superior operating condition and to capitalize on changing market opportunities.

Equity per share grew 22.3% on a one-year basis and 15.7% compounded over the past five years. The 2001 contribution to Shareholders' equity was the largest in the Company's history.

In 2001, capital spending was at record levels for the Company and was highlighted by the construction of four specialized deep capacity rigs. Each of the new rigs is committed to a multi-year contract.

The graph to the right compares the cumulative return over the last five years on the Class A Non-Voting shares and Class B Common shares of the Company since December 31, 1996 with the cumulative total return of the TSE 300 Stock Index over the same period, assuming reinvestment of dividends.

5 YEAR TOTAL RETURN ON $100 INVESTMENT



	31 Dec 1996	31 Dec 1997	31 Dec 1998	31 Dec 1999	31 Dec 2000	31 Dec 2001
AKITA Class A	100	138	86	97	126	**148**
AKITA Class B	100	130	104	111	135	**177**
TSE 300	100	115	113	149	160	**139**

SHARE PERFORMANCE		1997	1998	1999	2000	**2001**
Weighted average number of Class A and Class B shares		9,497,563	9,499,521	9,318,173	9,083,582	9,080,921
Market Prices for Class A Shares	High	$ 16.35	$ 12.80	$ 11.45	$ 13.00	$ 16.00
	Low	$ 8.60	$ 5.60	$ 6.10	$ 8.00	$ 10.30
	Close	$ 12.90	$ 7.85	$ 8.55	$ 10.80	$ 12.25
Volume		8,552,552	5,329,046	2,987,533	3,599,012	2,676,835
Market Prices for Class B Shares	High	$ 16.30	$ 10.80	$ 10.00	$ 12.00	$ 16.50
	Low	$ 9.50	$ 9.00	$ 7.00	$ 8.00	$ 11.00
	Close	$ 11.50	$ 9.00	$ 9.25	$ 11.00	$ 14.00
Volume		22,584	7,254	2,872	11,082	13,178

DIVIDEND HISTORY

AKITA began paying dividends to shareholders in 1996. It is the current intention of the Board of Directors to continue to pay quarterly dividends in the future. Nevertheless, the payment of any dividend is at the discretion of the Board of Directors and depends upon the financial condition of the Company and other factors.

	1997	1998	1999	2000	**2001**
Dividends paid per share ($)	0.20	0.24	0.28	0.32	0.36

Our emphasis remains on deep natural gas and heavy oil drilling as well as the execution of our northern strategy.

John B. Hlavka, President and C.E.O. and Ronald D. Southern, Chairman of the Board

Our earnings for the year ended December 31, 2001 were $17,889,000 or $1.97 per share on revenue of $110,844,000. Comparative figures for 2000 were $11,157,000 or $1.23 per share on revenue of $88,441,000. Cash flow from operations for the current year was $26,959,000 or $2.97 per share as compared to $17,110,000 or $1.88 per share in 2000. All of the foregoing results represented record performance for AKITA and our shareowners.

Our achievements during the past year were attributable to a strong overall market and the successful implementation of our long-term strategy to maintain financial strength while investing in meaningful projects. Our emphasis remains on deep natural gas and heavy oil drilling and the execution of our northern strategy, which involves being active in joint ventures throughout Canada's Northern Territories.

AKITA is committed to providing the highest quality drilling rigs available to meet our customer needs. In 2001, we completed the construction of four deep capacity rigs including three intended for frontier drilling in the north. Each of the northern rigs also has the design capacity to drill most of the deep natural gas prospects in Western Canada. One of these rigs is currently drilling a well in Western Alberta prior to its anticipated trip to the Mackenzie Delta later this year.

Last year, our penetration into heavy oil drilling, while less dramatic than our northern ventures, was successful. During 2001, our specialized heavy oil rig achieved 89% utilization and drilled over 130,000 metres, ahead of any other rig in our fleet. AKITA recognizes that long term potential exists for specialty rigs in this application and intends to carefully review and pursue other opportunities if they present themselves.

AKITA, through its four active joint ventures, drilled 92% of all of the wells drilled in Northern Canada during 2001. Our Company continues to be the leader in the Canadian north in terms of drilling for oil and natural gas. A major feature of this northern strategy involves working co-operatively with local communities, aboriginal partners and businesses in ways that provide meaningful training, employment and opportunities for northern residents.

In achieving our 2001 results we deployed a record amount of the Company's cash for capital expenditures. During the year we invested $54 Million, over double the amount expended in any previous year. Most of the capital projects, including each of the new rigs, have term contracts associated with them. These contracts will remain in effect until 2004 – 2006 and provide our Company with standby revenues at pre-determined rates during periods of inactivity. This strategy has increased the assurance that shareowners will receive the best possible returns from these major capital outlays.

Our Company has always maintained a strong balance sheet with ample liquidity and a straightforward financial structure to support our operations. As such, AKITA does not maintain any off-balance sheet assets or liabilities. During the year AKITA funded its capital requirements with cash flow generated from operations augmented with $40 Million of long-term debt. In addition, we received $16 Million from joint venture partners as partial payments for their share of joint venture assets co-owned, as well as $5 Million from a private placement of convertible preferred shares in December. By year-end, AKITA had over $19 Million in working capital and $80 Million in equity offset by $38 Million in debt. During 2002, this debt level will be reduced by the use of some of the Company's cash balances.

During 2001, AKITA achieved utilization of 56.9% compared to the industry average of 53.0% and AKITA's utilization of 60.0% in 2000. Rig utilization, a statistic that measures the actual days that a rig operates compared to total days, has always been a key measure for our Company since it measures business volume and has an influence on pricing. The rig utilization statistic now carries reduced importance to the Company since, with the implementation of our northern strategy, a number of rigs now generate revenue on a "standby" basis when not operating.

Deep rig activity led the market throughout the year as a result of natural gas drilling. AKITA's fleet remains especially well positioned for both shallow and deep gas drilling since 45% of the rigs in its fleet have capacities that are either under 950 metres or 4,000 metres or greater. By contrast, less than 15% of the rigs in Western Canada have depth capacities in these categories.

For the second consecutive year we more than doubled our investment in training in order to increase both the skill level and number of our key employees. We have always felt that the consistent application of our drilling standards is a significant component of meeting customer expectations. Consequently, we are refining a standardized competency program to help achieve this goal. AKITA remains well positioned with experienced staff for our rigs.

While our many successes in 2001 included being awarded the Canadian Association of Oilwell Drilling Contractors' Class A Safety Award of Excellence for the third consecutive year, safety performance did not meet our own standards. Our lost time accident frequency rose slightly during 2001 but remains significantly better than the industry as a whole. We constantly review safety practices and procedures and are undertaking new initiatives to improve worksite safety. Key among our new programs is the assignment of well site safety coordinators to specified rigs.

Market conditions are expected to weaken in the current year compared to 2001. The current market forecast from the Canadian Association of Oilwell Drilling Contractors anticipates 13,600 wells to be drilled in 2002 compared to 17,945 for 2001. Our Company will be negatively impacted if this forecasted slow down in activity occurs. However, the impact on AKITA will be significantly reduced due to major long-term contracts on each of our new rigs. Additionally, we have historically demonstrated an ability to outperform industry utilization, particularly in periods of lower activity. We anticipate that the combination of premium equipment owned by AKITA coupled with highly qualified and motivated staff should once again result in relatively higher utilization and positive returns for our shareowners.

In the longer term, we remain very optimistic. Our Company has positioned itself strategically and is active in Canada's northern frontier. It has a mix of assets that focuses on Canada's future in terms of deep and shallow natural gas and the enormous potential of heavy oil. Most of all, we appreciate and wish to thank our team of dedicated employees who possess the skills, experience and commitment to make the most of the opportunity before us.

We remain cognizant of the key role that our customers and business partners play in attaining our objective of continued success and we thank them for their support over this past year.

Our directors continue to play a key role and their astute counsel and unwavering belief in AKITA is sincerely appreciated.

We are optimistic that the dedication and confidence placed in us by you, our shareowners, will be rewarded through increased value in your Company.

On behalf of the Board of Directors.

Ronald D. Southern
Chairman of the Board

John B. Hlavka
President and Chief Executive Officer

March 25, 2002

Positioned for the Future

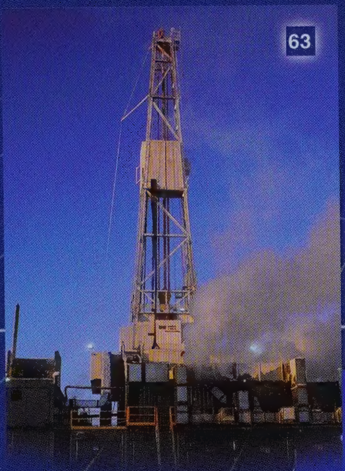
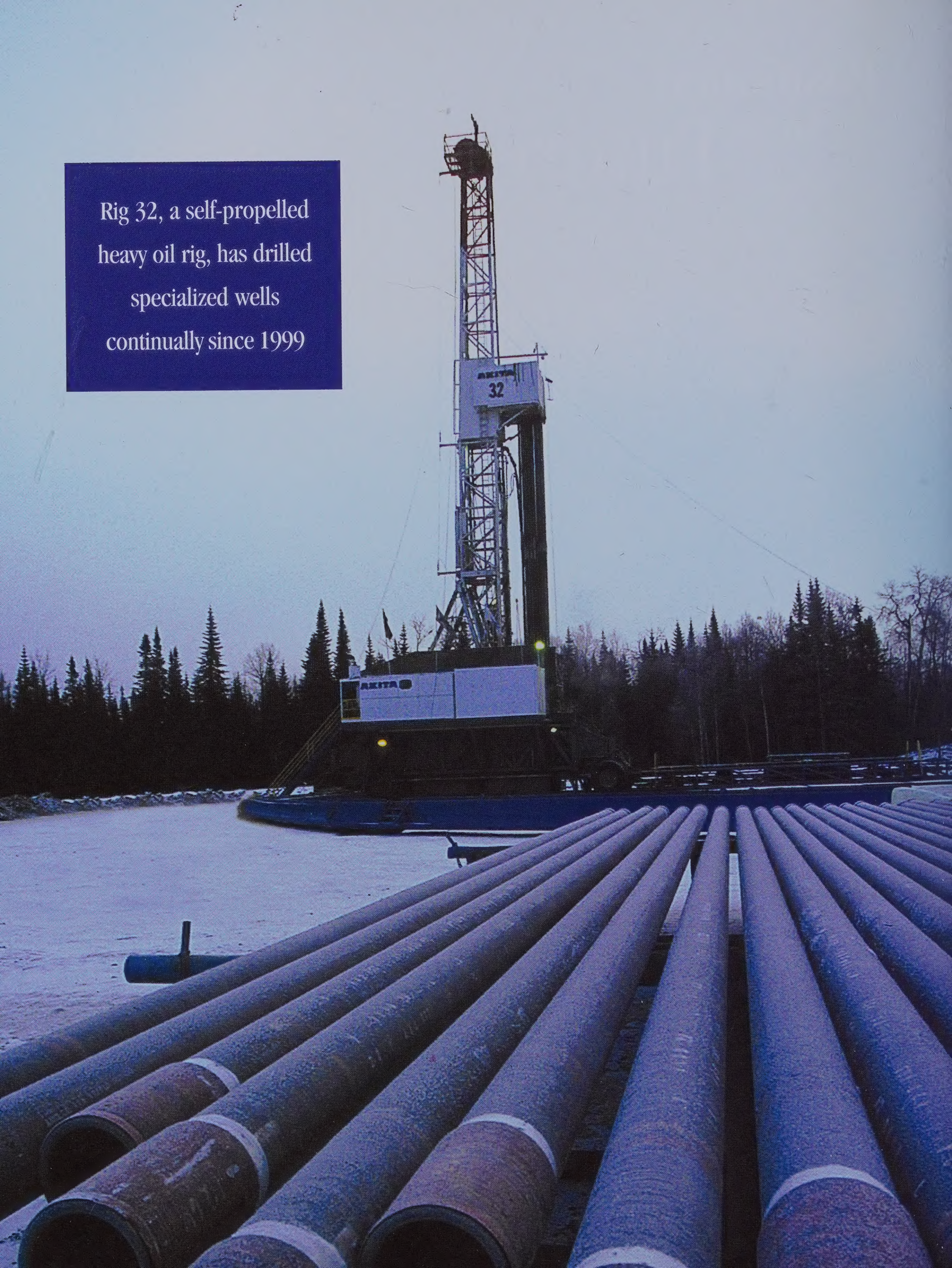


Photo Credit Rig 60: David Watt



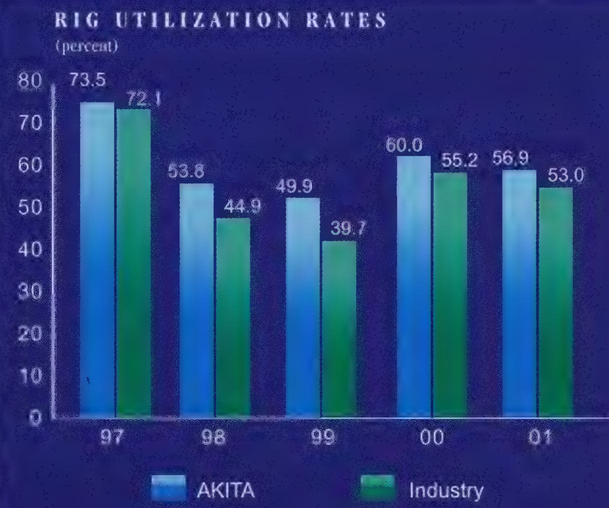
Rig 32, a self-propelled heavy oil rig, has drilled specialized wells continually since 1999

Rig utilization rates are an indication of how effectively a drilling company uses its assets, and directly influence profitability. Historically, AKITA has been successful in achieving above-industry utilization rates through maintaining the highest standards and by focussing the majority of its rigs on longer-term programs for key oil and gas producers. In some cases, individual rigs have remained exclusively with customers for several years, thereby contributing to the higher utilization.

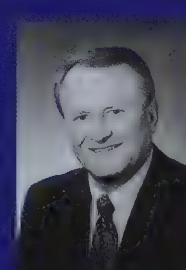
AKITA's utilization is increasingly influenced by northern operations since drilling seasons are generally shorter than in the western provinces. During 2001, rigs located in British Columbia, Alberta and Saskatchewan achieved a utilization rate of 60.1%, consistent with 2000 utilization rates. In many cases, the lower utilization obtained by northern rigs was offset to varying degrees by the receipt of standby revenue for that part of a year in which the rigs were not active.

AKITA drilled 1,325 wells for a total of 1,144,000 metres or approximately 7% percent of the total wells drilled in Western Canada in 2001. The Company provided drilling services for 54 customers.

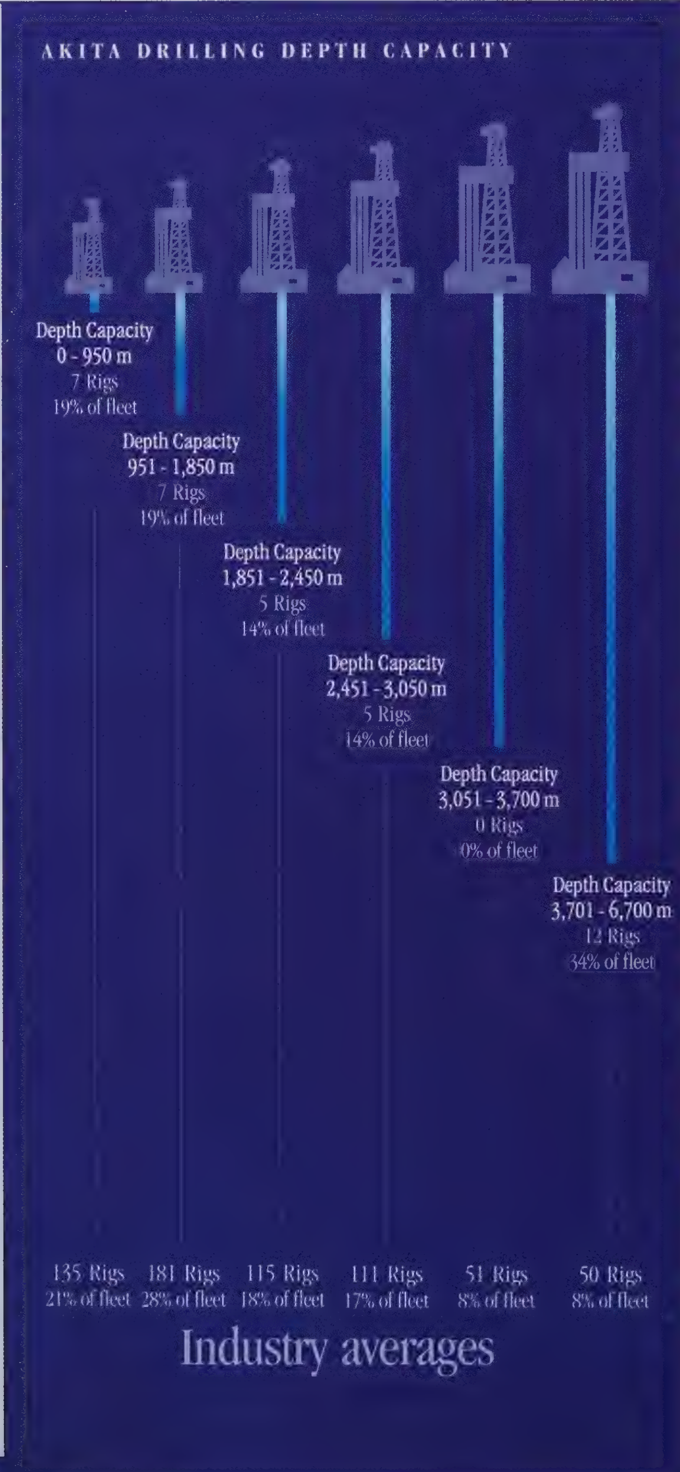
AKITA's northern operations work within several different joint ventures. In the southwest portion of the Northwest Territories, parts of Northern British Columbia and parts of the Southeast Yukon Territory, AKITA operates through either AKITA/SAHCHO Drilling Ltd. or AKITA/KASKA Drilling Ltd.



"Our focus includes conventional and heavy oil drilling in the traditional Western Canadian Sedimentary basin as well as being suitably positioned to play a significant role in drilling throughout Canada's Northern Territories. We maintain a careful balance to ensure that one aspect of the business never suffers for the sake of the other. Many of our customers that are active in Alberta and B.C. also have large land positions in the north."



Robert J. Hunt
Senior Vice President,
Marketing and the North



"During the past two years AKITA invested $80 Million including $54 Million in 2001, three quarters of which was used to construct five deep capacity and specialized drilling rigs. The construction of these rigs benefited from the application of current technology as well as, in the case of the arctic class rigs, practical efficiencies gained from experience working in harsh environments.

The addition of these latest drilling rigs enhances our market exposure to frontier and exploratory drilling and nicely complements our continuing presence in shallow gas, heavy oil and deep foothills gas drilling."

Karl A. Ruud
Executive Vice President and Chief Operating Officer

Lying within the geographic region of AKITA/SAHCHO is Fort Liard - a region that has recently generated renewed exploration activity. In the central Mackenzie Valley of the Northwest Territories operations are conducted through AKITA/SAHTU Drilling Ltd. The centre of this region is Norman Wells, site of a major oil field. Furthest north are the operations of AKITA EQUTAK Drilling Ltd. Of key importance at this time is the natural gas potential of the Mackenzie Delta region.

During the past two years AKITA EQUTAK has built four specialized arctic drilling rigs to meet these cold weather drilling opportunities.

The remoteness of these northern locations coupled with seasonal and logistical complexities make these areas both challenging and exciting in their potential. AKITA understands the challenges and has the experience to be successful in this northern environment, one that is rich in history and traditional cultural values. AKITA's commitment to each of these regions and joint ventures includes training, employment and economic benefits for community residents.

During 2001, AKITA drilled a total of 11 wells North of 60° using six rigs. This represented 92% of all wells drilled "North of 60" during the year.

AKITA operates a well-maintained, diversified and efficient fleet of 36 drilling rigs within the Western Canadian Sedimentary Basin and in Canada's northern territories. Similar to 2000, most of AKITA's 2001 drilling activity was related to exploration and development for natural gas. The Company's large percentage of deep capacity equipment assures favourable exposure to deep gas drilling which occurs in the foothills and some mountain regions of Alberta, British Columbia, and the Northwest and Yukon Territories. AKITA's shallow rigs provide strong exposure to shallow gas drilling typical of Southern Alberta and Saskatchewan. AKITA's rig mix ensures that it is able to participate effectively in changing markets.

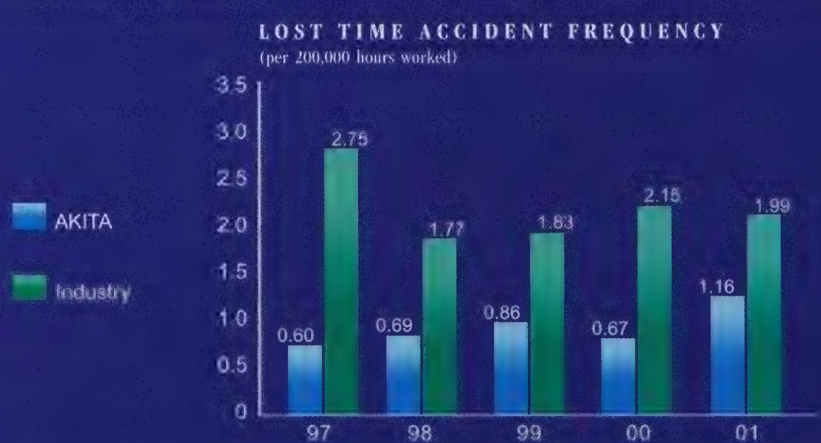
"Statistics and awards don't make AKITA a safe place to work. Commitment does! At AKITA we expect a daily commitment on the part of each employee and manager to do the job right. We also know that we must provide each person with the best possible tools in order that the task at hand can be completed in a safe and professional manner. At AKITA we do not take any half measures.

We also take our environmental responsibility very seriously. As usual, we did not have any reportable spills of any nature this past year. We continue to look beyond this "lowest rung on the ladder" mentality, especially in light of having operations that occur in some of the most environmentally sensitive environments anywhere. Our plan is simple but effective, is well communicated and demands compliance throughout the Company. The key is to have positive attitudes and commitment at every level.

Craig W. Kushner
Corporate Secretary
and Human Resources
Administrator"

During 2001, the Company added four deep triple rigs having depth capacities of at least 4,000 metres. AKITA's capital expenditure program is designed to be adaptable to changing market conditions without compromise of quality.

AKITA is strongly committed to the ongoing safety of its employees and continually achieves one of the safest working records in the Canadian drilling industry. The Company considers methods to eliminate or reduce hazards in the design of equipment and through the use of standardized operating procedures that are regularly updated. AKITA's lost time accident frequency, which represents lost time accidents per 200,000 hours worked, has been consistently and significantly better than the industry average as demonstrated in the following table:



In 2001, the Company introduced a well site safety coordinator position at each of AKITA's northern rigs due to the logistical challenges faced in the region. Early observations indicate that safety performance is being enhanced through this new position. Upon completion of the current trial run, a complete evaluation will be undertaken to determine how the program should be adopted throughout AKITA.

AKITA has had a long-standing commitment to ensure that its daily operations are environmentally responsible and are in compliance with all regulatory requirements. The Company continually monitors products used and procedures followed in its operations as well as changes in regulations to ensure responsible management of environmental issues. The Board of Directors receives regular reports

regarding compliance with AKITA's comprehensive environmental management programs. AKITA's programs have been in place for several years and are continually monitored, improved upon and added to as circumstances warrant.

The rigs built for the arctic provided AKITA's engineers with some unique and interesting challenges including issues surrounding heat loss. In addition to finding methods to reduce fuel consumption for cost efficiency purposes, special attention was paid to minimize heat transfer to either the atmosphere or the sensitive permafrost.

Capital spending in 2001 was the greatest in the history of the Company and was funded through a combination of cash flow from operations and bank debt. As a result of agreements with Joint

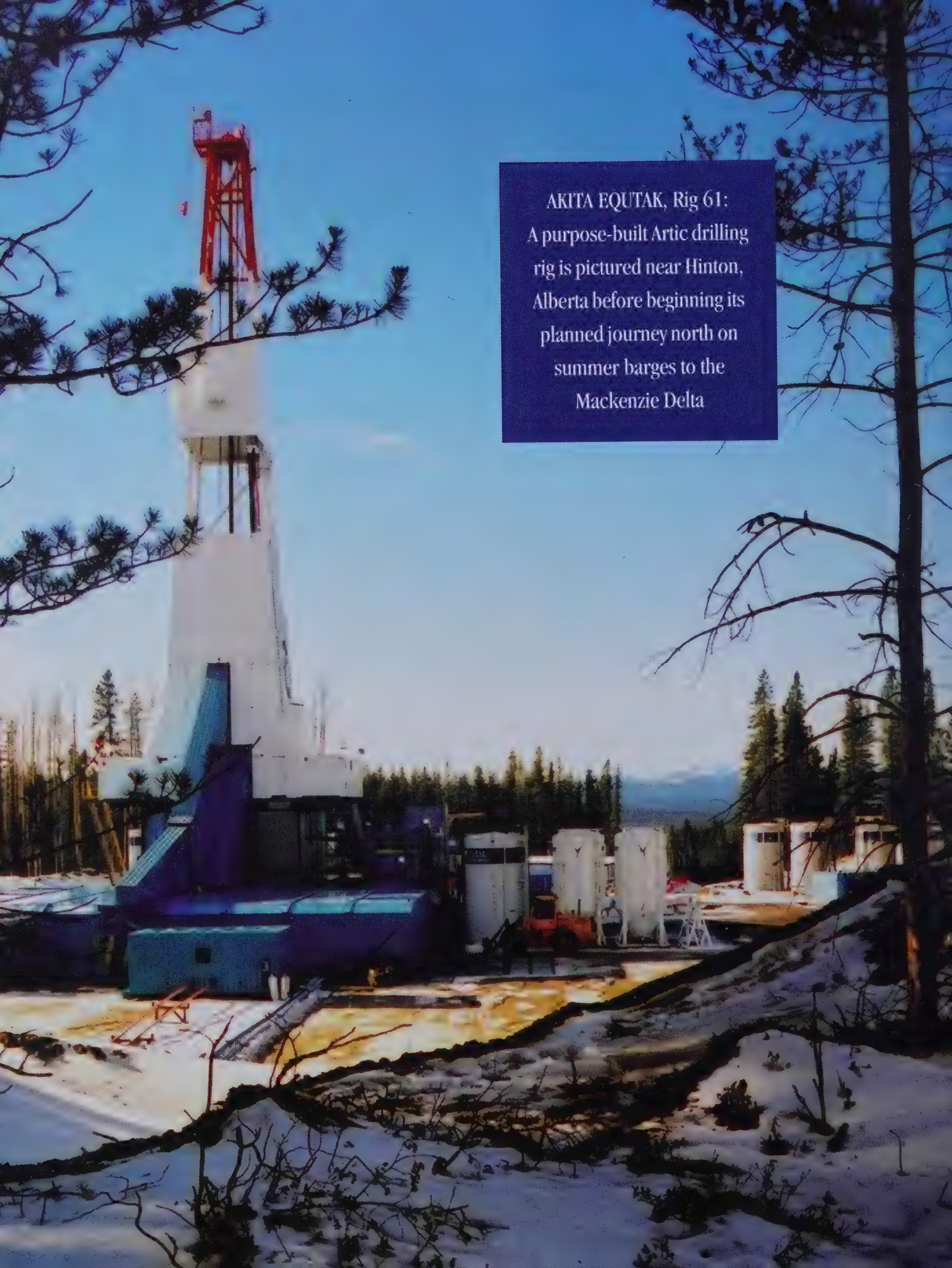
"All aspects of our operations require the resources, both personnel and financial, to achieve our goals. Our accomplishments in 2001, or indeed for the last nine years, could not have been achieved without the financial resources to back up our intentions. Maintaining a strong financial position with the flexibility to invest in the right opportunities has always been our priority. AKITA continues to have the financial capability to not only service our existing operations but to look towards the future.

Murray J. Roth
Vice President Finance"

Venture partners, $16 Million was recovered in exchange for partial interests in selected rigs. This exchange benefits AKITA's shareowners by enhancing access to drilling locations in Northern Canada.

AKITA's results, especially in the fourth quarter of 2001 when each of the new rigs were under contract, provide strong evidence of the quality of the Company's investments. Earnings and cash flow for the quarter were $6.1 Million and $9.4 Million respectively, up 44% and 80% from the previous year.

By year-end the Company had once again enhanced its already strong financial structure including the improvement of overall cash, equity and liquidity. AKITA is well positioned and has the resources to capitalize on new investments and new opportunities to achieve its growth objectives.



AKITA EQUTAK, Rig 61:
A purpose-built Artic drilling rig is pictured near Hinton, Alberta before beginning its planned journey north on summer barges to the Mackenzie Delta

The following sets out management's analysis of the financial position, cash flows and results of operations for AKITA Drilling Ltd. (also referred to as "AKITA" or "the Company") for the years ended December 31, 2001 and 2000. The information is intended to assist readers in analyzing the financial affairs of the Company. In addition to the information in this section, AKITA's audited financial statements for 2001 and 2000, including notes thereon, found on pages 26 to 36, provide information on the Company's financial position and results of its operations.

REVENUE AND OPERATING & MAINTENANCE EXPENSES

$Million	2001	2000	Change	%
Revenue	110.8	88.4	22.4	25%
Operating & Maintenance Expenses	63.6	55.9	7.7	14%

Overall revenue increased to $110,844,000 or $16,036 per operating day during 2001 from $88,441,000 or $13,388 per operating day during 2000 as a result of adding new rigs to the drilling fleet, higher day rates and in certain instances the application of standby charges. At December 31, 2001, AKITA had 36 rigs under management (33.45 rigs net) versus 32 rigs under management (30.55 rigs net) at the end of 2000. Day rate increases were most pronounced in the deep segment of the market, which was also the most active sector. Operating and maintenance costs vary directly with revenue and amounted to $63,584,000 or $9,199 per operating day during 2001 compared with $55,875,000 or $8,458 per operating day for the prior year.

DEPRECIATION EXPENSE

$Million	2001	2000	Change	%
Depreciation Expense	7.8	6.6	1.2	19%

AKITA depreciates its rigs using the unit of production method based on an estimated life of 2,000 operating days per rig. The depreciation increase to $7,763,000 during 2001 from $6,551,000 during 2000 was directly attributable to the addition of new rigs to AKITA's fleet, as the utilization rate of the established rigs was essentially unchanged. Assets other than rigs are depreciated over their estimated remaining lives using a straight line or declining balance basis of calculation. Beginning in 2002, the Company will be recording depreciation on its five newest rigs over estimated service lives of 3,600 operating days per rig. If AKITA had adopted this policy at the beginning of 2001, depreciation expense would have been reduced by $246,000.

SELLING AND ADMINISTRATIVE EXPENSES

$Million	2001	2000	Change	%
Selling & Admin expense	10.6	7.8	2.8	36%

Selling and administrative expenses were 9.6% of total revenue in 2001 compared to 8.8% of total revenue in 2000. The single largest component was salaries and benefits, which accounted for 59% of these expenses (62% in 2000).

OTHER INCOME

$Million	2001	2000	Change	%
Other Income	1.5	1.6	(0.1)	(3%)

Other income decreased to $1,518,000 in 2001 from $1,567,000 in 2000. Interest expense included $588,000 to service rig construction loans plus $433,000 in long-term debt interest, both of which represented financing instruments to finance AKITA's rig construction program. These interest expenses were partially offset by $663,000 of interest income. In 2000, the Company generated interest income totalling $1,107,000. Gains from asset sales amounted to $1,670,000 in 2001 compared to $460,000 in the previous year.

INCOME TAX EXPENSE

$Million	2001	2000	Change	%
Current Tax	9.8	8.9	0.9	9%
Future Tax	2.7	(0.3)	3.0	n/a

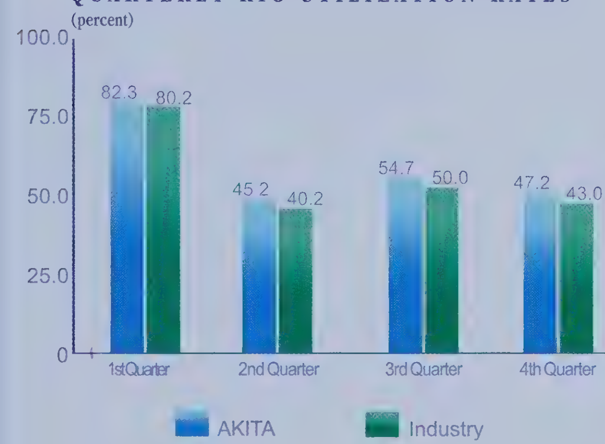
Income tax expense increased to $12,506,000 in 2001 from $8,635,000 in 2000 mostly due to higher pretax earnings.

NET EARNINGS AND CASH FLOW

$Million	2001	2000	Change	%
Net Earnings	17.9	11.2	6.7	60%
Cash Flow	27.0	17.1	9.9	58%

Net earnings increased to $17,889,000 or $1.97 per Class A Non-Voting Share and Class B Common Share for 2001 from $11,157,000 or $1.23 per share in 2000. Cash flow from operations increased to $26,959,000 or $2.97 per share in 2001 from $17,110,000 or $1.88 per share in 2000. AKITA's new rigs coupled with higher day rates accounted for these improvements in earnings and cash flow.

QUARTERLY RIG UTILIZATION RATES



FLEET AND UTILIZATION

Utilization rates are a key statistic for the drilling industry since they measure sales volume and influence pricing. During 2001, AKITA's utilization rate was 56.9% which was 3.1 percentage points lower than the previous year and 3.9 percentage points higher than the 2001 industry average. For the fifth consecutive year, deep rig activity targeting natural gas led the market. Medium depth capacity rigs, which typically drill for oil targets, represented the slowest segment.

In addition to depth capacity, the number of its rigs located in the north increasingly influences AKITA's utilization. This geographic sector is quite diverse but generally results in shorter drilling seasons than exist for southern locations. In many cases, AKITA receives standby revenue to help offset the higher amount of down time involved in operating in Northern Canada.

The Canadian drilling industry is seasonal with activity building in the fall and peaking during the winter months as northern transportation routes become available when areas with muskeg conditions freeze

sufficiently to allow the movement of rigs and other heavy equipment. The peak Canadian drilling season ends with "spring breakup", at which time drilling operations are curtailed due to seasonal road bans (temporary prohibitions on road use) and restricted access to agricultural land. During 2001, the seasonal differences were larger than normal (which is often indicative of a changing drilling market), with the third quarter falling below the five-year average for the Company.

The seasonal level of operations has a corresponding impact on financial results. The following table highlights the seasonal impact of AKITA's operations for 2001 and 2000.

(dollars in thousands, except per share) (unaudited)	December 31	September 30	June 30	March 31
2001 - three months ended				
Revenue	28,381	26,592	19,967	35,904
Earnings	6,104	3,553	2,245	5,987
Basic earnings per share	0.67	0.39	0.25	0.66
Diluted earnings per share	0.66	0.39	0.25	0.65
Cash flow from operations	9,353	6,517	3,667	7,397
Basic cash flow from operations per share	1.03	0.72	0.40	0.81
Diluted cash flow from operations per share	1.01	0.71	0.39	0.81
2000 - three months ended				
Revenue	26,428	20,058	13,271	28,684
Earnings	4,241	1,962	1,014	3,940
Basic earnings per share	0.47	0.22	0.11	0.43
Diluted earnings per share	0.46	0.21	0.11	0.42
Cash flow from operations	5,191	3,647	2,104	6,207
Basic cash flow from operations per share	0.56	0.40	0.23	0.67
Diluted cash flow from operations per share	0.55	0.40	0.23	0.68

LIQUIDITY AND CAPITAL RESOURCES

AKITA has always generated sufficient cash flow from operations to fund its normal operating activities as well as routine capital expenditures. The year 2001 was the first since AKITA's inception in which capital expenditures were funded through borrowing as well as internally generated cash flow. AKITA's capital expenditure program of $54,319,000 was also the largest in the history of the Company and included the construction of four new rigs and one major rig upgrade in addition to more routine capital expenditures.

At December 31, 2001, AKITA had $19,823,000 in working capital including $22,817,000 in cash, compared to $17,227,000 in working capital, including $8,190,000 in cash, for the previous year. Most of the increase in cash resulted from payments by joint venture partners for their share of newly constructed rigs.

AKITA's bank operating line is unchanged at $10,000,000 from the prior year. Interest is payable on the operating line at prime interest rates and is secured by accounts receivable. The total amount of available financing varies with receivable balances. In addition, AKITA utilized its new $40 million financing facility to partially fund construction of drilling rigs. Interest on borrowings was charged at the rate of prime plus ½% during construction and was divided into two components thereafter. One half continues to bear interest at prime plus ½% while the second portion bears interest at 6.24%. Both portions of this facility have maximum terms of four years. As a result of major rig construction projects described in greater detail in the Capital Assets section of this MD&A, AKITA utilized all of its opening cash position within the first quarter of 2001 and drew upon the maximum of its loan facilities but did not draw on any portion of its $10 Million operating line at either December 31, 2001 or December 31, 2000.

On December 10, 2001, AKITA issued 333,350 Cumulative Redeemable Convertible Preferred Shares (the "Preferred Shares") for total proceeds of $5 Million. The Preferred Shares pay dividends at 4% and carry the right to be converted on November 30, 2004 into Class A Non-Voting Shares on a one for one basis. Any Preferred Shares not converted must be redeemed by the Company on December 1, 2004.

DIVIDENDS

$ Per Share	2001	2000	Change	%
Dividends	0.36	0.32	0.04	13%

During 2001, AKITA paid dividends totalling $0.36 per share ($3,269,000) on its Class A Non-Voting and Class B Common Shares compared to $0.32 per share ($2,913,000) for 2000. The payment of any dividends is at the discretion of the Board of Directors and depends upon the financial condition of AKITA and other factors. Since the inception of the quarterly dividend program, dividends have been paid in each quarter of every year. The most recent dividend was declared on February 27, 2002 with a dividend rate of $0.09 per share.

CAPITAL ASSETS

Total fixed asset additions for 2001 were $70,459,000. As a result of recovering its proportionate share of costs related to one of its joint ventures, net fixed asset additions for AKITA were $54,319,000 in 2001 compared with $26,548,000 in the previous year. The highlights of 2001's capital expenditure program were the construction of Rig #20, which is wholly-owned by AKITA, and the

construction of joint venture Rigs #61, #62 and #63 and their related camps, which are partially owned and managed by AKITA. No major new rig capital is currently forecasted for 2002. Total capital spent in 2001 on new rigs was $61.2 million with AKITA's net portion being $47.7 million. In addition to new rigs, AKITA upgraded one of its doubles at a total cost of $1.3 million. Additional capital of $5.3 million was spent purchasing tubulars and other rig components.

AKITA's net book values for rigs and related equipment remain significantly lower than current replacement costs. At year-end, the average book value of AKITA's rig fleet was $2.7 million per rig. AKITA's depreciation policy is designed to reduce the risk of its asset carrying values being overstated at any point in the drilling cycle.

BUSINESS RISKS AND RISK MANAGEMENT

The drilling industry is cyclical and the business of AKITA is directly affected by fluctuations in the level of exploration and development activity carried on by its customers. Drilling activity is seasonal and, in turn, is directly affected by a variety of factors, including weather, world oil and North American natural gas prices, access to capital markets and government policies. Any prolonged or significant decrease in energy prices or economic activity, or adverse change in government regulation could have a significant negative impact on exploration and development drilling activity in Canada. AKITA's marketing program emphasizes the continuous development of long term relationships with a core base of customers who maintain ongoing drilling programs during all phases of the economic cycle.

The success of AKITA also depends on other factors, including competition and the management of operational and environmental risks.

AKITA manages its risks in these areas by:

- employing well trained, experienced and responsible employees
- ensuring that all employees comply with clearly defined safety standards
- improving the skills of its employees through training programs
- reducing environmental risk through the implementation of industry-leading standards, policies and procedures
- maintaining an efficient fleet of rigs through a rigorous ongoing maintenance program
- constantly upgrading its rig fleet
- maintaining comprehensive insurance policies with respect to its operations

AKITA is subject to federal, provincial, territorial and local environmental protection laws concerning emissions to the air, discharges to surface and subsurface waters and the handling, use, emission and disposal of materials and wastes from drilling operations. AKITA is committed to preserving and protecting the environment and minimizing the discharge of hazardous materials into the environment in accordance with environmental protection laws and regulations. AKITA verifies compliance with

these laws and regulations as well as its own well developed and closely monitored internal procedures through a program of regular environmental audits. Some risk of unintentional breaches of environmental protection laws and potential liability is occasionally inherent in particular operations of the industry.

AKITA does not believe that environmental protection laws and regulations affect its operations differently from other responsible companies in the contract drilling industry. Ongoing capital and operating costs of compliance with existing laws and regulations have not been quantified but are not expected to have a material impact on the earnings or competitive position of AKITA.

AKITA maintains comprehensive insurance policies with respect to its operations in amounts that it believes are adequate and in accordance with industry standards. AKITA's liability with respect to its well-site activities is limited by provisions of its agreements with oil and gas well operators that either limit AKITA's liability or provide for indemnification of AKITA against certain risks. As a matter of policy, AKITA ensures blowout insurance has been obtained by its customers and thereby reduces its related risk.

Drilling in Northern Canada has become an increasing aspect of AKITA's operations. Special challenges are present in order to operate effectively in this region. The North represents a small part of the total Canadian market, is very seasonal and in most cases depends upon frozen conditions and ice. Local businesses, communities and land corporations play a major role in the infrastructure of the North through aboriginal land claim settlements and access agreements. AKITA manages its risk in this region by adding new rigs only on a multi-year contract basis and by working co-operatively in joint ventures with aboriginal partners with both partners sharing rig ownership.

FUTURE OUTLOOK

The drilling industry is cyclical and certain key factors that have an impact on AKITA's results are beyond management's control. Like other drilling contractors, AKITA is exposed to the effects of fluctuating oil and gas prices and changes in the exploration and development budgets of its customers.

AKITA's prospects currently appear to be mixed in the short-term. Commodity prices for both oil and natural gas are substantially lower than one year ago. The Canadian Association of Oilwell Drilling Contractors currently forecasts drilling 13,600 wells in 2002 compared to 17,945 wells in 2001. This decline in activity, should it occur, will have a material adverse effect on AKITA's operating results through lower rig utilization and operating margins as compared to 2001. However, the full impact of this decline will be partially offset through having five newer rigs working under long-term contracts at fixed prices to 2004 or beyond.

Longer term, the Company remains well positioned as a result of its emphasis on both shallow and deep drilling, and has rigs in position to take advantage of heavy oil and frontier drilling opportunities.

AKITA is continuing to pursue other opportunities, particularly in the north.

Faces of AKITA Drilling

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of AKITA Drilling Ltd., Management's Discussion and Analysis and other information relating to the organization contained in this Annual Report are the responsibility of management and have been approved by the Board of Directors. The financial statements have been prepared in accordance with accounting policies detailed in the notes to the financial statements and are in conformity with accounting principles generally accepted in Canada using methods appropriate for the industry in which the Company operates. Where necessary, estimates of transactions and operations that were incomplete at year-end have been made by management. Financial information throughout the Annual Report is consistent with the financial statements.

Management ensures the integrity of the financial statements by maintaining systems of internal control. These systems are designed to provide assurance that assets are safeguarded from loss or unauthorized use, that transactions are properly recorded and that the financial records are reliable for preparing the financial statements.

PricewaterhouseCoopers LLP, the Company's independent auditors, have conducted an examination of the financial statements and have had full access to the Audit Committee. Their report appears on page 25.

The Board of Directors, through its Audit Committee comprised of three non-management directors, oversees management's responsibilities for financial reporting. The Audit Committee meets regularly with management and the independent auditors to discuss auditing and financial matters and to gain assurance that management is carrying out its responsibilities.

John B. Hlavka
President and Chief Executive Officer

Murray Roth
Vice President Finance

To the Shareholders of AKITA Drilling Ltd.

We have audited the balance sheets of AKITA Drilling Ltd. as at December 31, 2001 and 2000 and the statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta

BALANCE SHEET

(Dollars in thousands) December 31		2001	2000
Assets			
Current assets			
Cash		$ 22,817	$ 8,190
Accounts receivable		22,599	24,898
Other		20	280
		45,436	33,368
Investments		78	42
Capital assets	Note 2	100,345	52,119
		$145,859	$85,529
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 13,414	$ 14,145
Income taxes payable		2,325	1,996
Current portion of long term debt		9,874	-
		25,613	16,141
Long term debt	Note 4	28,261	-
Future income taxes	Note 11	4,623	1,883
Pension liability	Note 5	2,118	1,881
Preferred shares	Note 6	4,772	-
Class A and Class B Shareholders' Equity			
Preferred shares	Note 6	228	-
Class A and Class B shares	Note 7	18,043	18,043
Retained earnings		62,201	47,581
		80,472	65,624
		$ 145,859	$ 85,529

Approved by the Board

Director

Director

(Dollars in thousands, except per share)

Year ended December 31		2001	2000
Revenue		$ 110,844	$ 88,441
Costs and expenses			
Operating and maintenance		63,584	55,875
Depreciation		7,763	6,551
Selling and administrative		10,620	7,790
		81,967	70,216
		28,877	18,225
Other income (expense)	Note 10	1,518	1,567
Earnings before income taxes		30,395	19,792
Income taxes	Note 11		
Current		9,766	8,929
Future		2,740	(294)
		12,506	8,635
Net earnings		17,889	11,157
Retained earnings, beginning of year		47,581	39,964
Dividends		(3,269)	(2,997)
Adjustment on repurchase and cancellation of share capital		-	(543)
Retained earnings, end of year		$ 62,201	$ 47,581
Earnings per Class A and Class B share	Note 8		
Basic		$1.97	$1.23
Diluted		$1.94	$1.21

STATEMENT OF CASH FLOWS

(Dollars in thousands, except per share) Year ended December 31		2001	2000
Operating activities			
Net earnings		$17,889	$11,157
Non-cash items included in earnings			
Depreciation		7,763	6,551
Future income tax		2,740	(294)
Pension expense		237	156
Gain on disposal of capital assets		(1,670)	(460)
Cash flow from operations		26,959	17,110
Change in non-cash working capital		2,409	(2,365)
		29,368	14,745
Investing activities			
Capital expenditures		(70,459)	(34,649)
Proceeds on disposal of capital assets		16,140	8,101
Increase in investments		(36)	-
Change in non-cash working capital		(252)	2,883
		(54,607)	(23,665)
Financing activities			
Issue of long-term debt		40,000	-
Repayment of long-term debt		(1,865)	-
Issue of preferred shares		5,000	-
Dividends		(3,269)	(2,997)
Repurchase of share capital		-	(706)
Change in non-cash working capital		-	84
		39,866	(3,619)
Increase (decrease) in cash		14,627	(12,539)
Cash position, beginning of year		8,190	20,729
Cash position, end of year [1]		$22,817	$8,190
Cash flow from operations per Class A and Class B share	Note 8		
Basic		$2.97	$1.88
Diluted		$2.92	$1.86

[1] Cash comprises cash and highly liquid short-term investments.

December 31, 2001
(tabular amounts in thousands of dollars except where noted)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition on contracts

Revenue resulting from the supply of contracted services is recorded by the percentage of completion method. Any anticipated loss is provided for in its entirety when the estimated loss is identified.

Depreciation

Drilling rigs are depreciated using the unit of production method based on an initial estimated life of 2,000 days per rig. Commencing in 2002, certain newly constructed rigs have lives re-estimated to 3,600 days per rig.

Replacement drill pipe and other ancillary drilling equipment are depreciated using a straight-line basis at rates varying from 6% to 12.5% per annum.

Buildings, furniture, fixtures and equipment are depreciated using the declining balance method at rates varying from 10% to 25% per annum except drilling camps, which are depreciated using a straight-line basis over 10 years.

Stock based compensation plans

The Company has two stock-based compensation plans, which are described in Note 9. No compensation expense is recognized for these plans when stock options or share appreciation rights are issued to employees. Any consideration paid by employees on exercise of stock options is credited to share capital. If stock options are repurchased from participants, the consideration paid is charged to retained earnings.

Compensation expense for share appreciation rights is accrued monthly based upon the excess of anticipated share price as determined by independent third parties over the base value of the rights. The accrued liability is adjusted for the effect of changes in the anticipated share price through charges or credits to compensation expense.

Income Taxes

The Company records income taxes using the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using tax rates that will be in effect when the differences are expected to reverse. The effect of a change in tax rates is recognized in income in the period that the change occurs.

Employee Future Benefits

The Company accrues for its obligations under its defined benefit pension plan. Costs of these benefits are determined using the projected benefits method prorated on service and reflect management's best estimates of investment returns, wage and salary increases and age at retirement.

Employer contributions to the defined contribution pension plan and group RRSP are expensed as paid.

Per Share Data

Basic earnings per share and cash flow per share have been calculated on the basis of the weighted average number of Class A Non-Voting and Class B Common shares outstanding during the year. Diluted earnings per share and diluted cash flow per share have been calculated using the treasury stock method. Under the treasury stock method, only "in the money" dilutive shares are included in the weighted average number of shares. It is also assumed that no cash flow or income is earned on the proceeds received from the dilutive shares issued, but rather, the proceeds are used to buy back shares at the weighted average market price experienced during the year. The weighted average number of shares is then reduced by the number of shares acquired.

Joint Ventures

The Company conducts most of its operations in Canada's northern territories via joint ventures. Ownership in and results of operation from these joint ventures are recorded under the proportionately consolidated method whereby only AKITA's share of the assets, liabilities, revenue and expenses are recognized.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements. Significant estimates used in the preparation of these financial statements include estimates relating to the useful lives of drilling rigs.

2. CAPITAL ASSETS

	2001		2000	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Drilling rigs and related equipment	$ 132,995	$ 34,555	$ 78,322	$ 27,179
Other	3,627	1,722	2,465	1,489
	$ 136,622	$36,277	$ 80,787	$ 28,668
Net Book Value	$ 100,345		$ 52,119	

3. CREDIT LINE

The Company has a credit line totalling the lesser of $10 Million or 80% of accounts receivable (2000 - $5 Million) at bank prime plus ½% secured by a general assignment of accounts receivable. This line was not drawn at either December 31, 2001 or December 31, 2000.

4. LONG TERM DEBT

	2001	2000
Bank term loans outstanding	$38,135	$ -
Current portion	9,874	-
	$28,261	$ -

Bank term loans have been divided into two equal components, one half bearing interest at prime plus ½% while the second half bears interest at 6.24%. Both halves of each term loan have maximum terms of four years and allow for early repayment at the borrower's option. The average effective borrowing rate during 2001 was 5.7%.

Security for bank term loans consists of a general security agreement providing for a fixed charge on certain assets, promissory notes and an assignment of insurance proceeds on certain property and equipment.

Minimum principal payments are as follows:

Year	
2002	$9,874
2003	10,179
2004	10,501
2005	7,581

5. PENSION LIABILITY

The Company has a Defined Contribution Pension Plan that covers substantially all of its employees. Under the provisions of the Plan, the Company contributes 5% of regular earnings for eligible employees on a current basis. In addition, employees having eligible terms of service are subject to admission into the Group RRSP.

The Company has also established a Defined Benefit Pension Plan for selected employees. The Defined Benefit Plan, which provides for pensions based upon the age of the retiree at the date of retirement and in certain cases the final average earnings is non-contributory and unfunded.

No current service cost was incurred in either 2001 or 2000.

	2001	2000
Accrued benefit obligation as at January 1	$1,881	$1,725
Interest cost	179	156
Actuarial loss	58	-
Accrued benefit obligation as at December 31	2,118	1,881
Unamortized net losses	454	310
Unamortized transitional obligation	327	361
Actuarial present value of defined benefit obligation	$2,899	$2,552

Assumptions (per cent)

	2001	2000
Discount rate	7.0	7.5
Rate of compensation growth	3.0	3.0

No payments were made during the year pursuant to the Defined Benefit Pension Plan.

During the year the Company charged $1,898,000 to expense in respect of its pension plans (2000 - $1,223,000).

6. PREFERRED SHARES

Authorized

An unlimited number of Series Preferred shares, issuable in series, designated as First Preferred Shares

An unlimited number of Series Preferred shares, issuable in series, designated as Second Preferred Shares

Issued

4% Cumulative Redeemable Convertible Preferred Shares, Series 1

	2001		2000	
	Shares	Amount	Shares	Amount
	333,350	$ 5,000	-	$ -

The Company must redeem the Preferred Shares on December 1, 2004 unless the shareholder has previously converted them. The Preferred Shares are not redeemable by the Company before that date. The Preferred Shares are convertible at $15.00 per share on the business day prior to the date fixed for redemption of such shares into Class A Non-Voting Shares of the Company on the conversion basis of one Class A Non-Voting Share for each Preferred Share.

As the preferred shares are considered to be compound financial instruments, GAAP requires that the relative debt and equity components of the preferred share issue be classified separately on the balance sheet.

7. CLASS A NON-VOTING AND CLASS B COMMON SHARES

Authorized

An unlimited number of Class A Non-Voting Shares

An unlimited number of Class B Common Shares

Issued

	Class A Non-Voting		Class B Common		Total	
	Number of Shares	Consideration	Number of Shares	Consideration	Number of Shares	Consideration
December 31, 1999	8,333,379	$16,838	828,342	$1,368	9,161,721	$18,206
Purchased	(80,800)	(163)	-	-	(80,800)	(163)
December 31, 2000	8,252,579	16,675	828,342	1,368	9,080,921	18,043
Purchased	-	-	-	-	-	-
December 31, 2001	8,252,579	$16,675	828,342	$1,368	9,080,921	$18,043

Each Class B Common share may be converted into one Class A Non-Voting share at the shareholder's option. If a takeover bid is made for the Class B Common shares, holders of Class A Non-Voting shares are entitled, in certain circumstances, for the duration of the bid, to exchange each Class A Non-Voting share for one Class B Common share for the purpose of depositing the resulting Class B Common shares pursuant to the terms of the takeover bid. The two classes of shares rank equally in all other respects.

On January 24, 2000, the Company commenced a normal course issuer bid for the purchase of up to 5% of the outstanding Class A Non-Voting shares. In 2000, 80,800 shares were repurchased and cancelled under this plan at a cost of $706,000, of which $163,000 was charged to share capital and $543,000 to retained earnings. The offer expired on January 23, 2001.

8. EARNINGS PER SHARE AND CASH FLOW PER SHARE

During the year, the Company adopted the treasury stock method for computing diluted earnings per share on a retroactive basis. This change resulted in increased diluted earnings per share of $0.02 (2000 - $0.01) and increased diluted cash flow per share of $0.03 (2000 - $0.01).

There were 333,350 convertible preferred shares that were not included in the calculation of diluted earnings per share and diluted cash flow per share as they had an anti-dilutive effect on the calculation. These convertible preferred shares were not present at December 31, 2000 and would not, therefore, affect the calculation in that year.

	2001	2000
Net earnings	$17,889	$11,157
Outstanding shares	9,080,921	9,080,921
Incremental shares	138,615	106,451
Basic earnings per share ($)	$1.97	$1.23
Diluted earnings per share ($)	$1.94	$1.21
Cash flow from operations	$26,959	$17,110
Basic cash flow per share ($)	$2.97	$1.88
Diluted cash flow per share ($)	$2.92	$1.86

9. STOCK BASED COMPENSATION PLANS

At December 31, 2001, the Company had two fixed stock-based compensation plans, which are described below.

The Company's Compensation and Succession Committee, subject to Board approval, may designate directors, officers, employees and other persons providing services to the Company to be offered options to purchase Class A Non-Voting shares. A maximum of 850,000 Class A Non-Voting shares have been reserved for issuance pursuant to outstanding options. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the date of grant.

In addition to stock options, share appreciation rights (SARs) may be granted to directors, officers and key employees of the Company. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant. The holder is entitled on exercise to receive a cash payment from the Company equal to any increase in the market price of the Class A Non-Voting shares over the base value of the SAR exercised. The base value is equal to the closing price of the Class A Non-Voting shares on the day before the grant.

A summary of the status of the Company's stock based compensation plans as of December 31, 2001 and 2000, and changes during the years ended on those dates is presented below:

	2001		2000	
	Shares	Weighted Average Exercise Price ($)	Shares	Weighted Average Exercise Price ($)
Outstanding at beginning of year	450,000	7.49	405,000	7.37
Granted	60,000	10.80	45,000	8.59
Exercised	-	-	-	-
Cancelled	-	-	-	-
Outstanding at end of year	510,000	7.88	450,000	7.49
Options exercisable at year-end	157,000	5.81	120,000	4.75
Share appreciation rights at year-end	270,000	8.59	270,000	8.59

The following table summarizes information about stock based compensation plans at December 31, 2001:

Exercise Price	Number Outstanding	Remaining Contractual Life (Years)	Number Exercisable
$0.76	20,000	1.0	20,000
4.55	70,000	1.9	70,000
3.65	20,000	2.1	20,000
8.98	250,000	5.0	250,000
7.39	45,000	7.1	27,000
8.59	45,000	8.0	24,000
10.80	60,000	9.0	16,000

Share appreciation rights expense amounted to $810,000 (2000 –$207,000).

10. OTHER INCOME (EXPENSE)

	2001	2000
Interest on long-term debt	$ (433)	$ -
Interest on construction loans	(588)	-
Interest income	663	1,107
Dividend income	206	-
Gain on sale of capital assets	1,670	460
	$ 1,518	$ 1,567

FINANCIAL REVIEW FROM THE COMMENCEMENT OF OPERATIONS

(Dollars in thousands, except per share and per operating day)

	Annual Ranking	2001	2000	1999	1998
Summary of Operations					
Revenue	1	$ 110,844	$ 88,441	$ 61,316	$ 75,463
Earnings before income taxes	1	$ 30,395	$ 19,792	$ 9,194	$ 19,762
Income taxes	1	$ 12,506	$ 8,635	$ 3,983	$ 6,855
Net earnings	1	$ 17,889	$ 11,157	$ 5,211	$ 12,907
As a percentage of average shareholders' equity	3	24.5%	18.0%	9.0%	24.0%
Earnings per Class A and Class B share	1	$ 1.97	$ 1.23	$ 0.56	$ 1.36
Cash flow from operations	1	$ 26,959	$ 17,110	$ 10,894	$ 17,914
As a percentage of average shareholders' equity	2	36.9%	27.6%	18.5%	33.3%
Cash flow per Class A and Class B share	1	$ 2.97	$ 1.88	$ 1.15	$ 1.89
EBITDA (Note)	1	$ 38,310	$ 24,776	$ 13,418	$ 19,726
EBITDA per operating day	1	$ 5,543	$ 3,751	$ 2,454	$ 3,348
Financial position at year end					
Working capital	6	$ 19,823	$ 17,227	$ 30,368	$ 30,481
Current ratio	9	1.77:1	2.07:1	3.67:1	4.16:1
Total assets	1	$ 145,859	$ 85,529	$ 73,463	$ 70,032
Shareholders' equity	1	$ 80,472	$ 65,624	$ 58,170	$ 58,190
per share	1	$ 8.84	$ 7.23	$ 6.35	$ 6.13
Other					
Capital expenditures (Net)	1	$ 54,319	$ 26,548	$ 7,670	$ 7,832
Depreciation	1	$ 7,763	$ 6,551	$ 5,627	$ 5,022

Note: EBITDA is calculated as earnings before interest, taxes, depreciation and amortization. Herein, EBITDA calculations exclude dividend income.

11. INCOME TAXES

The income tax provision differs from that which would be computed using the statutory rates. A reconciliation of the differences is as follows:

	2001	2000
Earnings before income taxes	$30,395	$19,792
Expected income tax at statutory rate of 42.62% (2000 – 44.75%)	12,954	8,857
Add (Deduct):		
Reduction in future income tax rates	(602)	(282)
Other	154	60
Income tax provision	$12,506	$8,635

The future income tax liability of $4,623,000 at December 31, 2001 (2000 - $1,883,000) relates to an excess in net book value of capital assets over the undepreciated capital cost for tax purposes, partially offset by future tax recoveries in respect of accrued liabilities for pensions and share appreciation rights.

Income taxes paid amounted to $9,437,000 (2000 - $8,594,000).

12. RELATED PARTY

The Company is affiliated to the ATCO Group of companies through its majority shareholder. The accompanying table summarizes transactions and year-end balances with those affiliates. These transactions were in the ordinary course of business and were considered to be at fair market value.

		2001	2000
Revenue		$ -	$ -
Purchases	Capital	6,304	1,600
	Operating	121	113
Year end accounts receivable		-	-
Year end accounts payable		84	11

13. FINANCIAL INSTRUMENTS

The Company's financial assets and liabilities as at December 31, 2001 included cash, accounts receivable, accounts payable, long-term debt and preferred shares. During the year, the Company did not hold or issue any derivative financial instruments. Fair values approximate carrying values unless otherwise stated.

The credit risk associated with accounts receivable is generally considered to be low since substantially all counterparties are well established and financed oil and gas companies. Provisions have been estimated by management and included in the accounts to satisfy any potential bad debts.

Additionally, the Company's financial instruments include long-term debt. One half of the long-term debt is floating along with the prime rate and the carrying amount is, therefore, considered to be reflective of fair value. The other 50% bears interest at 6.24%, which approximates fair value.

14. JOINT VENTURES

The following table summarizes assets, liabilities, revenues and expenses related to the Company's Joint Venture operations:

	2001	2000
Current assets	$4,501	$2,012
Capital assets, net of depreciation	55,498	27,795
Current liabilities	498	1,142
Long-term liabilities	25,873	-
Revenue	11,486	1,988
Expenses	7,475	1,628
Net earnings	4,011	361
Cash flow from operating activities	4,967	554
Cash flow from financing activities	25,873	-
Cash flow from investing activities	(27,704)	(27,795)

15. COMMITMENTS AND SUBSEQUENT EVENTS

During 2000 and 2001, the Company entered into long-term contracts with large corporations under which the Company constructed five drilling rigs. Four of these commitments were made by AKITA EQUTAK Drilling Ltd., a joint venture controlled 50% by AKITA, while the fifth commitment was made by the Company directly. The rig use contracts will expire in 2004 – 2006.

Subsequent to year-end, the Company entered into arrangements to repay the portion of the bank loans based on floating interest rates. These repayments will be replaced with a renewable borrowing facility of up to $20 Million under otherwise similar terms and conditions.

The Company leases its office space at an annual cost of approximately $184,000 per year. Lease expiry will occur in 2005.

1997	1996	1995	1994	1993
$ 89,100	$ 63,340	$ 57,429	$ 61,498	$ 44,142
$ 21,421	$ 12,841	$ 11,200	$ 12,401	$ 4,751
$ 10,058	$ 5,728	$ 5,147	$ 5,377	$ 2,166
$ 11,363	$ 7,113	$ 6,053	$ 7,024	$ 2,585
25.5%	19.3%	19.8%	29.1%	15.5%
$ 1.20	$ 0.77	$ 0.66	$ 0.77	$ 0.32
$ 15,467	$ 9,713	$ 8,475	$ 9,184	$ 4,458
34.7%	26.3%	27.8%	38.1%	26.8%
$ 1.63	$ 1.05	$ 0.93	$ 1.01	$ 0.55
$ 24,228	$ 13,715	$ 12,192	$ 13,262	$ 5,404
$ 3,288	$ 2,272	$ 2,222	$ 2,133	$ 1,055
$ 23,883	$ 26,844	$ 20,932	$ 16,351	$ 10,675
2.04:1	3.47:1	3.28:1	2.29:1	2.38:1
$ 73,947	$ 53,603	$ 44,610	$ 41,999	$ 29,937
$ 48,767	$ 40,460	$ 33,388	$ 27,574	$ 20,650
$ 5.13	$ 4.27	$ 3.66	$ 3.03	$ 2.27
$ 15,372	$ 3,760	$ 3,655	$ 3,408	$ 1,737
$ 4,247	$ 2,547	$ 2,206	$ 1,986	$ 1,254

The 2001 contribution to Shareholder's Equity was the largest in the Company's history.

DIRECTORS

William L. Britton, Q.C.
Deputy Chairman of the Board
of the Corporation
Partner, Bennett Jones LLP.
Calgary, Alberta

Linda A. Heathcott
Executive Vice President,
Spruce Meadows
President,
Team Spruce Meadows Inc.
Calgary, Alberta

John B. Hlavka
President and Chief Executive Officer
of the Corporation
Calgary, Alberta

Dale R. Richardson
Vice President,
Sentgraf Enterprises Ltd.
Calgary, Alberta

Margaret E. Southern,
O.C., L.V.O., LL.D.
President, Spruce Meadows
Calgary, Alberta

Nancy C. Southern
Co-Chairman and Chief Executive Officer,
ATCO Ltd. and Canadian Utilities Limited
Calgary, Alberta

Ronald D. Southern,
C.B.E., C.M., LL.D.
Chairman of the Board
of the Corporation
Co-Chairman and
Chief Executive Officer,
ATCO Ltd. and
Canadian Utilities Limited,
Calgary, Alberta

C. Perry Spitznagel
Partner, Bennett Jones LLP,
Calgary, Alberta

OFFICERS

John B. Hlavka
President and
Chief Executive Officer

Robert J. Hunt
Senior Vice President,
Marketing and the North

Craig W. Kushner
Corporate Secretary and
Human Resources Administrator

Murray J. Roth
Vice President Finance

Karl A. Ruud
Executive Vice President and
Chief Operating Officer

HEAD OFFICE

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AUDITORS

PricewaterhouseCoopers LLP,
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

CIBC Mellon Trust Company,
Calgary, Alberta and Toronto, Ontario
1-800-387-0825

SHARE SYMBOL/TSE

Class A Non-Voting (AKT.A)
Class B Common (AKT.B)

WEBSITE

www.akita-drilling.com

AKITA'S Northern Joint Ventures:

AKITA EQUTAK
AKITA SAHCHO
AKITA SAHTU
AKITA KASKA

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